

**MUNSHAAT REAL ESTATE PROJECTS
COMPANY K.S.C. (CLOSED) AND
SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MUNSHAAT REAL ESTATE PROJECTS COMPANY K.S.C. (CLOSED)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Munshaat Real Estate Projects Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2010 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Parent Company's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MUNSHAAT REAL ESTATE PROJECTS COMPANY K.S.C. (CLOSED) (continued)**

Report on the Consolidated Financial Statements (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Inherent Uncertainty Regarding Continuation of Going Concern

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which states that the Group incurred a loss of KD 18,915,506 for the year ended 31 December 2010 and as at this date has accumulated losses of KD 17,175,729 and its current liabilities exceed current assets by KD 109,544,134. Furthermore, the Parent Company is actively engaged with its lenders to restructure its entire debt obligations due to the default on the repayment of certain debt obligations, and has also agreed with one of the major shareholders, whose debt has been defaulted, not to pursue the collection of the outstanding debt until the Parent Company completes the restructuring and rescheduling process. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Report on other legal and regulatory requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the Parent Company's Articles of Association have occurred during the year ended 31 December 2010 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

DR. SAUD AL-HUMAIDI
LICENSE NO. 51 A
DR. SAUD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY
INTERNATIONAL

11 May 2011
Kuwait

Munshaat Real Estate Projects Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Revenues		11,813,025	-
Operating costs	6	(11,182,987)	-
OPERATING PROFIT		630,038	-
Sales commission		319,062	427,701
Management fees	12	958,186	1,704,324
Unrealised gain (loss) from financial assets carried at fair value through statement of income		274,351	(914,389)
Realised gain from financial assets carried at fair value through statement of income		72,478	214,049
Loss from investment properties	10	(9,373,216)	(29,678,081)
Finance income		334,334	684,900
Dividend income		39,000	438,077
Other income		79,730	868,379
Impairment loss on financial assets available for sale	9	(560,515)	(882,458)
Impairment loss on leasehold property	6	(1,535,026)	-
Provision for doubtful debts	11	(3,114,596)	(1,466,562)
General and administrative expenses		(3,438,416)	(4,787,864)
Depreciation		(169,416)	(278,087)
Amortisation of intangible asset	7	(348,681)	-
Finance costs		(4,340,614)	(5,619,760)
Foreign exchange gain (loss)		2,264,964	(4,692,348)
Share of results of associates	8	(1,007,169)	92,715
LOSS FOR THE YEAR	4	(18,915,506)	(43,889,404)
Attributable to			
Equity holders of the Parent Company		(19,224,231)	(44,271,414)
Non-controlling interests		308,725	382,010
LOSS FOR THE YEAR		(18,915,506)	(43,889,404)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	(60) Fils	(137) Fils

The attached notes 1 to 25 form part of these consolidated financial statements.

Munshaat Real Estate Projects Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	<i>Notes</i>	2010 KD	2009 KD
LOSS FOR THE YEAR		(18,915,506)	(43,889,404)
OTHER COMPREHENSIVE (LOSS) INCOME			
Financial assets available for sale			
- Net movement in cumulative change in fair values		(612,466)	(1,718,556)
- Realised loss transferred to the consolidated statement of income		-	16,432
- Impairment loss transferred to the consolidated statement of income	9	560,515	882,458
- Share of other comprehensive income of associates	8	(70,385)	161,828
Exchange differences on translation of foreign operations		(158,554)	450,035
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(280,890)	(207,803)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(19,196,396)	(44,097,207)
Attributable to:			
Equity holders of the Parent Company		(19,474,179)	(44,449,457)
Non-controlling interests		277,783	352,250
		(19,196,396)	(44,097,207)

The attached notes 1 to 25 form part of these consolidated financial statements.

Munshaat Real Estate Projects Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	<i>Notes</i>	2010 KD	2009 KD
ASSETS			
Non-current assets			
Property and equipment		437,596	569,670
Leasehold property	6	131,110,000	-
Intangible asset and goodwill	7	2,526,557	2,875,238
Investment in associates	8	5,592,075	6,669,629
Financial assets available for sale	9	9,010,594	9,693,446
Investment properties	10	36,619,561	181,683,513
		<u>185,296,383</u>	<u>201,491,496</u>
Current assets			
Financial assets carried at fair value through statement of income	12	250,684	443,174
Accounts receivable and prepayments	11	3,037,067	4,125,780
Amounts due from related parties	12	12,977,383	11,858,341
Wakala receivables	13	2,466,117	2,384,452
Cash and cash equivalents	14	6,691,962	5,558,081
		<u>25,423,213</u>	<u>24,369,828</u>
TOTAL ASSETS		<u>210,719,596</u>	<u>225,861,324</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	15	32,200,000	32,200,000
Share premium		12,400,000	12,400,000
Statutory reserve	15	8,854,013	8,854,013
Voluntary reserve	15	4,427,007	4,427,007
Cumulative change in fair values		(872,715)	(750,379)
Foreign currency translation reserve		(322,497)	(194,885)
(Accumulated losses) retained earnings		(17,175,729)	1,983,665
Equity attributable to equity holders of the Parent Company		<u>39,510,079</u>	<u>58,919,421</u>
Non-controlling interests		1,361,591	1,277,645
Total equity		<u>40,871,670</u>	<u>60,197,066</u>
Non-current liabilities			
Murabaha payables	16	3,277,174	24,369,209
Obligations under finance leases	17	1,647,972	1,680,379
Accounts payable and accruals	18	5,957,174	17,414,221
Amounts due to related parties	12	23,841,021	31,456,981
Employees' end of service benefits		157,238	128,098
		<u>34,880,579</u>	<u>75,048,888</u>
Current liabilities			
Murabaha payables	16	69,982,873	41,659,301
Obligations under finance leases	17	77,018	13,476,900
Accounts payable and accruals	18	44,406,534	22,042,901
Amounts due to related parties	12	20,500,922	13,436,268
		<u>134,967,347</u>	<u>90,615,370</u>
Total liabilities		<u>169,847,926</u>	<u>165,664,258</u>
TOTAL EQUITY AND LIABILITIES		<u>210,719,596</u>	<u>225,861,324</u>

Jassem Mohammad Bader Al Duwaikh
Chairman

The attached notes 1 to 25 form part of these consolidated financial statements.

Munshaat Real Estate Projects Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

OPERATING ACTIVITIES	<i>Notes</i>	2010 KD	2009 KD
Loss for the year		(18,915,506)	(43,889,404)
Adjustments for:			
Depreciation		169,416	278,087
Amortisation	6&7	7,553,933	-
Share of results of associates	8	1,007,169	(92,715)
Provision for doubtful debts	11	3,114,596	1,466,562
Foreign exchange gain (loss)		(2,264,964)	4,692,348
Finance income		(334,334)	(684,900)
Dividend income		(39,000)	(438,077)
Loss on sale of available for sale financial assets		-	16,432
Impairment loss of available for sale financial assets		560,515	882,458
Impairment loss on leasehold property	6	1,535,026	-
Unrealised gain from financial assets carried at fair value through statement of income		(274,351)	914,389
Realised gain on sale of financial assets carried at fair value through statement of income		(72,478)	(214,049)
Change in fair value of investment properties	10	7,341,248	32,028,889
Loss on sale of investment properties	10	-	4,858,155
Finance costs		4,340,614	5,619,760
Provision for employees' end of service benefits		44,678	60,271
		3,766,562	5,498,206
Working capital changes:			
Amounts due from / to related parties		(399,324)	(3,341,405)
Net movement in investment properties		(2,779,715)	(2,024,431)
Net movement in leasehold property		652,141	-
Accounts receivable and prepayments		(1,912,158)	3,244,616
Accounts payable and accruals		6,911,341	1,409,100
Cash from operations		6,238,847	4,786,086
Employees' end of service benefits paid		(15,538)	(19,026)
Finance costs paid		(3,537,282)	(4,247,370)
Net cash from operating activities		2,686,027	519,690
INVESTING ACTIVITIES			
Net movement in wakala receivables		(81,665)	188,348
Purchase of property and equipment		(37,342)	(421,802)
Purchase of available for sale financial assets		-	(38,103)
Proceeds from sale of available for sale financial assets		-	216,745
Proceeds from sale of financial assets carried at fair value through statement of income		539,319	602,201
Finance income received		10,554	347,889
Dividends income received		39,000	438,077
Net cash from investing activities		469,866	1,333,355
FINANCING ACTIVITIES			
Dividend paid to non-controlling interests		(129,000)	(29,760)
Net movement in murabaha payables		7,231,537	3,413,045
Movement in obligations under finance leases		(9,036,381)	(12,034,163)
Amounts due from / to related parties		-	(1,639,066)
Net cash used in financing activities		(1,933,844)	(10,289,944)
Foreign currency translation adjustment		(88,168)	222,967
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,133,881	(8,213,932)
Cash and cash equivalents at the beginning of the year		5,558,081	13,772,013
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	6,691,962	5,558,081

The attached notes 1 to 25 form part of these consolidated financial statements.

Munshaat Real Estate Projects Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	<i>Equity attributable to shareholders of the Parent Company</i>									
	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Cumulative change in fair values KD</i>	<i>Foreign currency translation reserve KD</i>	<i>(Accumulated losses) retained earnings KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
Balance at 1 January 2010	32,200,000	12,400,000	8,854,013	4,427,007	(750,379)	(194,885)	1,983,665	58,919,421	1,277,645	60,197,066
(Loss) profit for the year	-	-	-	-	-	-	(19,224,231)	(19,224,231)	308,725	(18,915,506)
Other comprehensive loss for the year	-	-	-	-	(122,336)	(127,612)	-	(249,948)	(30,942)	(280,890)
Total comprehensive (loss) income for the year	-	-	-	-	(122,336)	(127,612)	(19,224,231)	(19,474,179)	277,783	(19,196,396)
Reclassification of non-controlling interests	-	-	-	-	-	-	64,837	64,837	(64,837)	-
Cash dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(129,000)	(129,000)
Balance at 31 December 2010	<u>32,200,000</u>	<u>12,400,000</u>	<u>8,854,013</u>	<u>4,427,007</u>	<u>(872,715)</u>	<u>(322,497)</u>	<u>(17,175,729)</u>	<u>39,510,079</u>	<u>1,361,591</u>	<u>40,871,670</u>
Balance at 1 January 2009 <i>(as previously stated)</i>	32,200,000	12,400,000	8,854,013	4,427,007	(92,541)	(674,680)	46,937,869	104,051,668	925,395	104,977,063
Effect of prior period error (Note 25)	-	-	-	-	-	-	(682,790)	(682,790)	-	(682,790)
Balance at 31 December 2010 (restated)	32,200,000	12,400,000	8,854,013	4,427,007	(92,541)	(674,680)	46,255,079	103,368,878	925,395	104,294,273
(Loss) profit for the year	-	-	-	-	-	-	(44,271,414)	(44,271,414)	382,010	(43,889,404)
Other comprehensive (loss) income for the year	-	-	-	-	(657,838)	479,795	-	(178,043)	(29,760)	(207,803)
Total comprehensive (loss) income for the year	-	-	-	-	(657,838)	479,795	(44,271,414)	(44,449,457)	352,250	(44,097,207)
Balance at 31 December 2009	<u>32,200,000</u>	<u>12,400,000</u>	<u>8,854,013</u>	<u>4,427,007</u>	<u>(750,379)</u>	<u>(194,885)</u>	<u>1,983,665</u>	<u>58,919,421</u>	<u>1,277,645</u>	<u>60,197,066</u>

The attached notes 1 to 25 form part of these consolidated financial statements.

Munshaat Real Estate Projects Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

1 CORPORATE INFORMATION

The consolidated financial statements of Munshaat Real Estate Projects Company K.S.C. (Closed) (the “Parent Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the board of directors on 11 May 2011. The General Assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The Parent Company was established on 8 April 2003 in accordance with the articles of association authenticated at Real Estate Registration and Authentication Department in the Ministry of Justice under No. 1416/Vol.1.

The main objectives of the Group are to own, sell and purchase real estate, in addition to developing real estate for the benefit of the Group inside and outside the State of Kuwait, and to manage properties on behalf of other parties. The Group also can utilise its surpluses by investing them in financial and real estate portfolios that are managed by specialised entities. The Group shall not directly or indirectly perform any operations that include dealing through usury or any other work that may contradict the Islamic Shari’a.

The Parent Company’s registered address is P.O. Box 1393 Dasman – 15464 - State of Kuwait.

2 FUNDAMENTAL ACCOUNTING CONCEPT

For the year ended 31 December 2010, the Group incurred a loss of KD 18,915,506 (2009: KD 43,889,404), has accumulated losses of KD 17,175,729 (2009: retained earnings of KD 1,983,665), and, as at that date, the Group’s current liabilities exceed its current assets by KD 109,544,134 (2009: KD 66,245,542). Furthermore, the Parent Company defaulted on repayment of Murabaha payable of KD 20,822,210 and also on amounts due to related parties amounting to KD 8,849,925 that were overdue at 31 December 2010 as discussed in Note 12 and 16 respectively.

The management of the Parent Company has taken a number of steps to regularise the Group’s obligations and obtain longer term funding; some of which are described below:

- Subsequent to the year end, the board of directors of the Parent Company has been reconstituted and new executive management personnel have been appointed to manage the operations of the Group.
- The executive management of the Parent Company is actively pursuing the restructuring of its liabilities with all creditors and lenders and have appointed consultants to advise the Group on the restructuring which is expected to be completed within one year from the reporting date.
- A major shareholder of the Parent Company to whom the Group owes KD 40,806,349, has agreed to grant more time and will not pursue the collection of these outstanding dues until the Parent Company completes the restructuring and rescheduling process as stated above.

The factors mentioned above cast a significant doubt about the Group’s ability to continue as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of business.

The ability of the Group to continue as a going concern is dependent on rescheduling the terms of debt obligations with the creditors, continued support from shareholders and future profitability which is dependent on adoption and implementation of the restructuring plan currently in discussions with the majority of the Group’s creditors and lenders as discussed above. The management is confident of the positive outcome of the discussions with the creditors and the restructuring plan and, therefore, has prepared the consolidated financial statements under the going concern concept of accounting.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts, or to the amounts of liabilities to reflect the fact the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in the consolidated financial statements.

Munshaat Real Estate Projects Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of leasehold property, financial assets available for sale, investment properties and financial assets carried at fair value through statement of income. The consolidated financial statements have been presented in Kuwaiti Dinars which is also the functional and presentation currency of the Parent Company.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of consolidation

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date of acquisition being the date on which the Group obtains control, and continue to be consolidated until the date the control ceases. The financial statements of the subsidiaries are prepared for same reporting period as the Parent Company, using consistent accounting policies.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances, income and expenses, unrealized gains (losses) and dividends resulting from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

Non-controlling interests represent the net assets (excluding goodwill) of consolidated subsidiaries not attributable directly, or indirectly, to the equity holders of the Parent Company. Equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Munshaat Real Estate Projects Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as detailed below:

Name of the company	Country of incorporation	Interest in equity		Principal activities
		2010	2009	
Directly held:				
Munshaat for Projects and Contracting Company W.L.L.	Kingdom of Saudi Arabia	100%	100%	Contracting and real estate activities
Al Reyada Real Estate Financial Centre Company W.L.L.	Kuwait	100%	100%	Real estate company
Al Waha International Real Estate Projects Company W.L.L.	Kuwait	100%	100%	Real estate company
MAS Holding Company K.S.C. (Closed)	Kuwait	60%	60%	Holding company
Held by MAS Holding Company K.S.C (Closed):				
MAS International General Trading and Contracting Company W.L.L.	Kuwait	98%	98%	General trading and contracting activities
MAS Com for Media and advertising W.L.L.#	Kuwait	98%	98%	Media and advertising
Held by MAS International General Trading and Contracting Company W.L.L.:				
Korfez Uluslararası Turizm Ve Pazarlama Ticaret Ltd Sti W.L.L.#	Turkey	100%	100%	Tourists and Haj &Umra services
MAS International Egypt W.L.L.	Egypt	100%	100%	Real estate projects management
MAS Al Oula W.L.L.	Kingdom of Saudi Arabia	99.5%	99.5%	Real estate projects management

These subsidiaries are under liquidation as at 31 December 2010.

3.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

The significant accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for the adoption of the following new and amended IASB Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations during the year:

- IFRS 3 (Revised) – Business Combinations and consequential amendments to IAS 27 effective for the annual periods beginning on or after 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39.
- IFRIC Interpretation 17: Distributions of non-cash assets to owners (*effective for the annual periods beginning on or after 1 July 2009*).
- IFRIC Interpretation 18: Transfers of assets from customers (*effective for the annual periods beginning on or after 1 July 2009*).

Munshaat Real Estate Projects Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The major changes in the new and amended Standards are as follows:

IFRS 3R and IAS 27 (Amended)

IFRS 3R introduces significant changes in the accounting for business combinations occurring after the effective date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3R and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interest after 1 January 2010.

IFRIC Interpretation 17: Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or performance of the Group.

IFRIC Interpretation 18: Transfers of assets from customers

This Interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation has no effect on either, the financial position or performance of the Group.

3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and revised International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations relevant to the Group, issued, but not yet effective

The following IASB Standards and IFRIC Interpretations relevant to the Group have been issued but are not yet mandatory, and have not yet been adopted by the Group:

- IFRS 9: Financial Instruments: Classification and Measurement (*effective for annual periods beginning on or after 1 January 2013*)
- IAS 24 (Revised 2009) Related Party Disclosures (*effective for the annual periods beginning on or after 1 January 2011*)
- IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (Amendment) (*effective for the annual periods beginning on or after 1 February 2010*)
- IFRIC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (*effective for the annual periods beginning on or after 1 July 2010*)

IFRS 9 Financial Instruments: Classification and Measurement

On 13 November 2009, the IASB issued the chapters of IFRS 9 relating to the classification and measurement of financial assets. IASB intends that IFRS 9 will ultimately replace IAS 39 in its entirety. However, in response to requests from interested parties that the accounting for financial instruments should be improved quickly, IASB divided its project to replace IAS 39 into three main phases. As the IASB completes each phase, as well as its separate project on the derecognition of financial instruments, it will delete the relevant portions of IAS 39 and create chapters in IFRS 9 that replace the requirements in IAS 39. IASB aims to replace IAS 39 in its entirety by early 2011. The Group has not early adopted this standard for year ended 31 December 2010.

IAS 24 Related Party Disclosures (Amendment)

The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The Group does not expect any impact on its financial position or performance.

Munshaat Real Estate Projects Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IFRIC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

This Interpretation provides guidance for the accounting when an entity renegotiates terms of a liability with the result that a debtor extinguishes a financial liability fully or partially by issuing equity instruments to the creditor.

Improvement to IFRSs

The IASB issued *Improvements to IFRSs*, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods beginning on or after either 1 July 2010 or 1 January 2011. The amendments listed below:

- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

Adoption of other IASB Standards and IFRIC Interpretations will not have material effect on the financial performance, position or the consolidated financial statements of the Group. Additional disclosures will be made in the consolidated financial statements when these Standards and Interpretations become effective.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised.

Revenue represents the rental income and the invoiced value of goods and services provided by the Group from the hospitality services.

Finance income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the net balance outstanding.

Management fees, incentive fees, arrangement and advisory fees, and placement fees are recognised when earned upon performance of services envisaged under the service agreements.

Commission income is recognised upon completion of sales agreement.

Dividend income is recognised when the right to receive payment is established.

Gain or (loss) on sale of investment properties is recognised when the significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.

Munshaat Real Estate Projects Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

KFAS, NLST and Zakat

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat represent taxes/ levies imposed on the Parent Company at the flat percentage of net profits less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent taxation/levy regulations no carry forward of (losses) is permitted and there are no significant differences between the tax /levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

Tax/statutory levy

	Rate
Contribution to KFAS	1.0% of net profit less permitted deductions
NLST	2.5% of net profit less permitted deductions
Zakat	1.0% of net profit less permitted deductions

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value as at the acquisition date through the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised over for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Munshaat Real Estate Projects Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets as follows:

Furniture and fixtures	over 3 to 5 years
Equipment and computers	over 3 to 4 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their values in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment and leasehold property. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

Investment in associates

An associate is an entity over which the Group exerts significant influence. Investment in associate is accounted for under the equity method of accounting.

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The Group recognises in the consolidated statement of income its share of the results of the associate from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes in the consolidated statement of comprehensive income.

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investment in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared to the Parent Company's financial position date or of a date not earlier than three months of the Parent Company's financial position date. Where practicable, appropriate adjustments for non-uniform accounting policies are made to the associate's financial statements to bring them in line with the Group's accounting policies.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in consolidated statement of income.

Investment properties

Investment properties are initially measured at cost, including transaction costs. The carrying cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day to day servicing of investment property. After the initial recognition, the investment property is carried at fair value that is determined based on valuation performed by independent valuers periodically using valuation methods consistent with the nature and usage of the investment property. Gains or (losses) from change in the fair value are recognised in the consolidated statement of income. However, in case of investment properties whose fair value cannot be reliably measured the same are carried at cost less accumulated impairment, if any.

Munshaat Real Estate Projects Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Investment property is derecognised when either it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or (losses) are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases where the Group is a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leasehold property is amortised over the period of 19.5 years.

Operating lease payments are recognised as expense on straight line basis over the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Certain property interests held for investment purposes by the Group under operating leases are classified as leasehold property and accounted for as if they were in the nature of a finance leases. The fair value model is used for the assets recognised.

Leases where the Group is a lessor

Leases where the Group doesn't transfer substantially all the risks and benefits of ownership of the assets are classified as operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they have earned.

Financial assets and liabilities

Initial recognition and measurement

The Group classifies its financial assets and liabilities as "financial assets at fair value through statement of income", "cash and cash equivalents", "Islamic finance receivable", "trade and other receivables", "financial assets available for sale", "accounts payables and accruals" and "financial liabilities other than at fair value through statement of income". The Group determines the classification of financial assets and liabilities at initial recognition.

A financial asset or a financial liability is recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument. All financial assets and liabilities are recognised initially at fair value plus, in the case of financial assets not at fair value through statement of income, directly attributable transaction costs.

Purchases or sales of financial assets or liabilities that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to acquire or dispose the asset or liability.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

The subsequent measurement of financial assets and liabilities depends on their classification as follows:

Cash and cash equivalents

Cash and cash equivalents are defined as bank balances and cash.

Islamic finance receivables

Short-term wakala investments are financial assets originated by the Group and represent deals with affiliated companies with an original maturity of three months or less. These are stated at amortised cost and are subject to an insignificant risk of changes in value.

Financial assets carried at fair value through statement of income

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in consolidated income statement. Financial assets are designated at fair value through profit or loss if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. Dividend income is recorded in 'loss) gain on financial assets at fair value through profit or loss' when right to the payment has been established. Profit rate swaps are categorized as held for trading.

Financial assets available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are neither classified as islamic finance receivables nor classified as financial assets at fair value through statement of income.

After initial measurement, financial assets available for sale are subsequently measured at fair value with gains or (losses) being recognised as other comprehensive income in the cumulative change in fair values reserve until the investment is derecognised at which time the cumulative gain or (loss) is recognised in the consolidated statement of income. Investments whose fair value cannot be reliably measured are carried at cost less impairment, if any.

Accounts receivable

These are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market.

After initial recognition, receivables are carried at amortised cost using the effective profit rate method less a provision for any uncollectible amount. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective profit rate. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Murabaha payables

Murabaha payables represent the amount payables on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the gross amount of the payables, net of deferred profit payables. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Initial recognition and measurement (continued)

Underlying the definitions of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in recognised financial markets is their quoted market price, based on the current bid price.

Financial assets with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value, if any.

The fair value of profit-bearing items is estimated based on discounted cash flows using profit rates for items with similar terms and risk characteristics.

The fair value of investment properties and leasehold property is based on periodic external valuation by independent, registered, real estate assessors or by reference to recent transactions in similar properties.

For all other financial assets or liabilities where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current fair value of another instrument that is substantially the same; recent arm's length market transactions or discounted cash flow analysis or other valuation methods and management's estimate of the amount at which these assets could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors. The fair value of derivatives is the equivalent of the unrealised gain or (loss) from marking to market the derivatives using prevailing market inputs or internal pricing models.

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

Financial assets carried at amortised cost

If there is objective evidence that impairment loss has occurred in the carrying amount of assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit that have not been incurred) discounted at the financial asset's original effective profit rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the impairment loss shall be recognised in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income.

In relation to gross receivables, provision impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off when they are assessed as uncollectible.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Impairment of financial assets (continued)

Financial assets available for sale

For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from other comprehensive income and recognised in the statement of income. Impairment loss on equity investments is not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; and either the Group has transferred its rights to receive cash flows from the asset and has either (a) transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs.

Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated statement of income. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment loss may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognised. Impairment loss relating to goodwill cannot be reversed in future periods.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to social security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Foreign currency translation

The Group's consolidated financial statements are presented in Kuwait Dinars, which is also the Parent Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

All differences are taken to the consolidated statement of income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

i) Group companies

The assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Fiduciary assets

Assets held in trust or fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in these consolidated financial statements.

Profit rate swaps

The Group uses profit rate swaps as derivative for commodity forward.

Profit rate swap instruments ("the instruments") are measured at their fair value. The fair value of these instruments includes unrealised gain or (loss) from marking to market the instruments using prevailing market rates or internal pricing models. The instruments with positive market values (unrealised gains) are included in other assets and the instruments with negative market values (unrealised losses) are included in other liabilities in the consolidated statement of financial position.

The resultant gains and (losses) from profit rate swaps are taken directly to the consolidated statement of income.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial position, but are disclosed when an inflow of economic benefits is probable.

Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The Group has used judgments and estimates principally in, but not limited to, the classification of investments and real estates, the determination of impairment loss and the valuation of unquoted investments and investment properties.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Judgements

Classification of investments

Management decides on acquisition of investments whether they should be classified as available for sale financial assets or financial assets carried at fair value through statement of income.

The management classifies financial assets as carried at fair value through statement of income if they are acquired primarily for the purpose of short term profit making and fair value of those investments can be reliably determined.

Classification of financial assets as fair value through statement of income also depends on how management monitor the performance of these financial assets when they are not classified as held for trading but have readily available fair values and if the changes in fair values are reported as part of profit or (loss) in the management accounts, they are classified as fair value through statement of income.

All other financial assets are classified as available for sale.

Classification of real estate and leasehold property

Management decides on acquisition of real estate whether it should be classified as trading, property held for development, leasehold property or investment property.

The management classifies real estate as trading property if it is acquired principally for sale in the ordinary course of business.

The management classifies real estate as property under development if it is acquired with the intention of development.

The management classifies real estate as investment property or leasehold property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Estimates

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as discussed below:

Impairment of financial assets

The Group treats available for sale equity financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Useful lives of plant and equipment and leasehold property

The Group's management determines the estimated useful lives of its plant and equipment and leasehold property for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of receivables

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

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3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

Valuation of unquoted investments

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Valuation of investment properties and leasehold property

For investment properties and leasehold property, fair value is determined by independent, registered, real estate assessors or by reference to recent transactions in similar properties.

4 LOSS FOR THE YEAR

The loss for the year is stated after charging:

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Staff costs	1,628,486	1,674,272
Operating rental leases	260,616	277,494
Unrealised (loss) profit on profit rate swaps	(466,840)	937,930

5 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share attributable to the equity holders of the Parent Company are calculated by dividing the loss for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year as follows:

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Loss for the year attributable to the equity holders of the Parent Company (KD)	(19,224,231)	(44,271,414)
Weighted average number of ordinary shares outstanding during the year (shares)	322,000,000	322,000,000
Basic and diluted loss per share attributable to the equity holders of the Parent Company	(60) fils	(137) fils

6 LEASEHOLD PROPERTY

From 1 January 2010, the Group reclassified a leasehold property, Zamzam Tower, from investment property to leasehold property at the fair value of KD 140,502,419 due to the change in use of the leasehold property.

The movement in leasehold property is as follows:

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6 LEASEHOLD PROPERTY (continued)

	2010 KD
Opening balance	-
Transferred from investment property (Note 10)	140,502,419
Amortisation for the year	(7,205,252)
Impairment loss	(1,535,026)
Disposals	(652,141)
Closing balance	<u>131,110,000</u>

The amortisation for the year is included under operating costs in the consolidated statement of income.

Leasehold property with a carrying value of KD 18,502,859 is mortgaged against a murabaha payable obtained from a local Islamic financial institution which is also a related party (Note 12).

7 INTANGIBLE ASSETS AND GOODWIL

	<i>Intangible assets KD</i>	<i>Goodwill KD</i>	<i>Total KD</i>
Balance at 1 January 2010	-	2,875,238	2,875,238
Reclassification to intangible assets	1,162,276	(1,162,276)	-
Amortisation for the year	(348,681)	-	(348,681)
Balance at 31 December 2010	<u>813,595</u>	<u>1,712,962</u>	<u>2,526,557</u>

During the year, one of the subsidiaries of the Group has completed the purchase price allocation exercise and identified intangible asset of KD 1,162,276 as marketing contract with a useful life 10 years. The carrying value of the intangible asset at 31 December 2010 is KD 813,595. As the amortisation effect of intangible assets pertaining to prior years amounting to KD 232,454 is not material, the same has been recognised in the current year along with the current year's charge of KD 116,227 aggregating to KD 348,681.

Impairment testing of goodwill

The recoverable amount of goodwill has been determined based on a value in use calculation, using cash flow projections approved by management covering the five year period. The discount rate applied to cash flow projections beyond the five year period are extrapolated using projected growth rate.

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

- Revenue;
- EBITDA;
- Discount rates;
- Growth rate used to extrapolate cash flows beyond the budget period.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

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8 INVESTMENT IN ASSOCIATES

	Country of incorporation	Percentage of ownership		2010	2009
		2010	2009	KD	KD
Qitaf GCC Real Estate Fund (Qitaf)	Kuwait	28.4%	28.4%	2,219,424	3,440,129
Athman Al Khalijya Company W.L.L.	Kuwait	32.6%	32.6%	3,372,651	3,229,500
				5,592,075	6,669,629
				2010	2009
				KD	KD
Balance as at 1 January				6,669,629	6,415,086
Share of results				(1,007,169)	92,715
Share of changes in other comprehensive income				(70,385)	161,828
Balance as at 31 December				5,592,075	6,669,629

The following table provides summarised information of the Group's investment in associates:

	2010	2009
	KD	KD
Share of associates' financial positions:		
Assets	6,295,743	8,335,015
Liabilities	(703,668)	(1,665,386)
Net assets	5,592,075	6,669,629
Share of associates' revenues and results:		
Revenues	145,397	213,772
Results	(1,007,169)	92,715

The associates are unquoted.

9 FINANCIAL ASSETS AVAILABLE FOR SALE

	2010	2009
	KD	KD
Unquoted securities	6,361,769	6,691,677
Unquoted real estate funds	2,648,825	3,001,769
	9,010,594	9,693,446

Unquoted securities include investments amounting to KD 2,809,048 (2009: KD 3,205,381) that are carried at cost, less impairment, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments.

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9 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

During the year, the Group recorded an impairment loss of KD 560,515 (2009: KD 882,458) against unquoted securities based on information available to management of the Parent Company. The management of the Parent Company is not aware of any circumstances that would indicate any further impairment in the value of these investments at the financial position date.

Hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 24.

10 INVESTMENT PROPERTIES

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Opening balance	181,683,513	192,677,564
Additions	2,779,715	18,051,304
Transferred to leasehold property (Note 6)	(140,502,419)	-
Adjustment	-	4,763,519
Change in fair values	(7,341,248)	(32,028,889)
Disposals	-	(1,779,985)
Closing balance	<u>36,619,561</u>	<u>181,683,513</u>

The total capitalised borrowing costs included in the carrying value of investment properties is KD 3,951,043 (2009: KD 2,289,534).

The changes in fair values for the current year relates to properties located in the Kingdom of Saudi Arabia and Kuwait and are based on external valuations by accredited independent valuers using acceptable methods of valuation such as sales comparison and income capitalisation.

Investment properties include a property under development amounting to KD 20,898,152 (2009: KD 18,038,964) which is measured at cost as the fair value cannot be reliably determined until such time the development is complete. However, based on the information available, the management of the Parent Company believes that there are no indicators of impairment of carrying amount of this investment property.

Investment properties with a carrying value of KD 8,000,000 (2009: KD 13,780,000) are mortgaged against certain murabaha payables (Note 16).

Adjustment in 2009 represents cost of an investment property on cancellation of a sale agreement of lease rights in a real estate deal which was executed in the period ended 31 December 2008. As a result, the Group also reversed the previously recognised gain on sale of the same investment property amounting to KD 5,725,799 (see below) recorded in the period ended 31 December 2008.

Loss from investment properties included in the consolidated statement of income includes the following:

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Change in fair values	(7,341,248)	(32,028,889)
Net rental income	399,490	7,208,963
Gain on sale of investment properties	-	867,644
Reversal of gain on cancellation / revision of sale agreement of lease rights	(2,431,458)	(5,725,799)
	<u>(9,373,216)</u>	<u>(29,678,081)</u>

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11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2010	2009
	KD	KD
Receivable from sale of investment properties	2,015,839	2,681,308
Advances to contractors	338,602	480,914
Prepaid expenses	34,630	46,481
Staff receivable	4,642	46,905
Other receivables	643,354	870,172
	<u>3,037,067</u>	<u>4,125,780</u>

At 31 December 2010, receivables at nominal value of KD 7,049,151 (2009: KD 3,934,555) were fully impaired and provided for.

Movement in the allowance for impairment of receivables were as follows:

	2010	2009
	KD	KD
Opening balance	3,934,555	2,467,993
Charge for the year	3,114,596	1,466,562
Closing balance	<u>7,049,151</u>	<u>3,934,555</u>

The analysis of unimpaired trade receivables (receivables from sale of investment properties and advances to contractors) is as follows:

	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>					<i>More than 120 days</i>
		<i>< 30 days</i>	<i>30 – 60 days</i>	<i>60 – 90 days</i>	<i>90 – 120 days</i>		
<i>Total</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
31 December 2010	2,354,441	186,927	500,195	433,503	366,810	533,542	333,464
31 December 2009	3,162,222	1,233,117	407,714	535,518	267,759	160,656	557,458

It is not the Group's policy to obtain collateral over receivables.

12 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the Group, and entities which are controlled by them or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	<i>Major shareholders</i>	<i>Other related parties</i>	2010	2009
	KD	KD	KD	KD
Management fees	-	958,186	958,186	1,704,324
Wakala income	-	169,568	169,568	184,983
Finance income	-	334,334	334,334	146,863
Provision for doubtful debts	-	-	-	(470,917)
Finance costs	(2,594,221)	(1,008,404)	(3,602,625)	(4,396,816)
Realised gain on sale of financial assets carried at fair value through statement of income	-	-	-	214,049

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12 RELATED PARTY TRANSACTIONS (continued)

In addition to the finance costs mentioned above the Group has incurred finance costs amounting to KD 1,249,852 (2009: KD 973,597) on related parties murabahas that were capitalised during the year.

Balances with related parties included in the consolidated statement of financial position are as follows:

	<i>Major shareholders KD</i>	<i>Other related parties KD</i>	2010 KD	2009 KD
Financial assets available for sale	-	4,695,873	4,695,873	4,582,087
Financial assets at fair value through statement of income	250,684	-	250,684	443,174
Wakala receivables	-	2,381,674	2,381,674	2,212,106
Cash and cash equivalents	14,132	-	14,132	25,931
Amounts due from related parties	-	12,977,383	12,977,383	11,858,341
Amount due to related parties (current and non-current)	41,257,563	3,084,380	44,341,943	44,893,249
Murabaha payables (Note 16)	17,219,518	29,217,252	46,436,770	36,905,232

Amounts due from / to related parties disclosed on the face of the consolidated statement of financial position are free of profit and unsecured.

Included in amounts due to related parties is an amount of KD 38,303,763 (2009: KD 37,263,367) which resulted from acquisition of leasehold property. Of this amount, KD 8,849,925 was overdue as at 31 December 2010.

The non-current portion of amounts due to related parties is discounted at an effective discount rate of 6% (2009: 6%) per annum.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2010 KD	2009 KD
Salaries and short term benefits	259,200	193,851
Employees' end of service benefits	9,577	8,097
	<u>268,777</u>	<u>201,948</u>

13 WAKALA RECEIVABLES

Wakala receivables include financing arrangement with a related party amounting to KD 2,381,674 (2009: KD 2,212,106) maturing within three months from the reporting date. The wakala receivables carry an effective profit rate of 7.28% per annum (2009: 6% per annum).

14 CASH AND CASH EQUIVALENTS

	2010 KD	2009 KD
Bank balances and cash	6,691,962	2,018,328
Money market funds	-	3,539,753
	<u>6,691,962</u>	<u>5,558,081</u>

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14 CASH AND CASH EQUIVALENTS (continued)

Bank balances represent non-interest bearing current bank accounts held mainly with Islamic financial institutions. As at 31 December 2010, bank balances include KD 14,132 placed with a related party (2009: KD 25,931) (Note 12).

15 SHARE CAPITAL, STATUTORY AND VOLUNTARY RESERVES

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Authorised, issued and paid up capital consists of 322,000,000 (2009: 322,000,000) shares of 100 fils each	<u>32,200,000</u>	<u>32,200,000</u>

The board of directors have not proposed any dividends for the financial year ended 31 December 2010 (2009: Nil).

Statutory Reserves

As required by Commercial Companies Law and the Parent Company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and board of directors' remuneration to be transferred to statutory reserve. No transfer is required for the year as loss is incurred. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

Voluntary Reserves

As required by the Parent Company's articles of association, 5% of the profit for the year before KFAS, NLST, Zakat and board of directors' remuneration to be transferred to general reserve.

The ordinary general assembly meeting may upon an approval by the board of directors of the Parent Company increase the percentage as it deems appropriate, and may resolve to discontinue such annual transfers, if proposed by the board of directors of the Parent Company.

As the Parent Company incurred losses during the current year, no such transfers were made.

16 MURABAHA PAYABLES

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Gross amount	74,773,452	67,935,808
Less: deferred profit payable	(1,513,405)	(1,907,298)
	<u>73,260,047</u>	<u>66,028,510</u>
	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Current portion	69,982,873	41,659,301
Non-current portion	3,277,174	24,369,209
	<u>73,260,047</u>	<u>66,028,510</u>

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16 MURABAHA PAYABLES (continued)

The average profit payable rate attributable to murabaha payables is 5.6% (2009: 6.5%) per annum. Murabaha payables amounting to KD 46,436,770 (2009: KD 36,905,232) are with related parties (Note 12) of which KD 20,371,094 (2009: KD 19,138,482) is secured by leasehold property with a carrying value of KD 18,502,859 (Note 6) (2009: KD 16,163,865 against the same property that was held as investment property).

Murabaha payables amounting to KD 6,097,233 (2009: 6,580,263) are secured by an investment property with a carrying value of KD 8,000,000 (2009: KD 13,780,000) (Note 10).

The Group has defaulted principal repayments on a murabaha payable amounting to KD 20,822,210 that were overdue as at 31 December 2010.

17 OBLIGATIONS UNDER FINANCE LEASES

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Lease obligations	1,724,990	15,157,279
Less: current portion	(77,018)	(13,476,900)
Long term obligations under finance leases	<u>1,647,972</u>	<u>1,680,379</u>

Obligations under finance leases relate to projects at Al-Madina Al-Monawara and Makka Al-Mokarama, and represent the future instalments due for the net present value of minimum lease payments for property interests acquired under finance lease which are classified as leasehold property (2009: investment property and accounted for as a finance lease). The instalments due within twelve months from the financial position date are shown under current liabilities.

The minimum lease payments by year are as follows:

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
2010	-	13,507,910
2011	112,380	114,803
2012	112,380	114,803
Thereafter	<u>3,034,260</u>	<u>3,099,666</u>
Total minimum lease payments	3,259,020	16,837,182
Less: estimated lease amount representing finance charges relating to future years	(1,534,030)	(1,679,903)
Present value of minimum finance lease rental payments	1,724,990	15,157,279
Current portion of lease obligations	(77,018)	(13,476,900)
Non-current portion of lease obligations	<u>1,647,972</u>	<u>1,680,379</u>

18 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Payables to contractors for leasehold property and investment properties	27,441,060	25,426,858
Accrued expenses	263,563	331,335
Unearned revenue	6,742,800	8,327,640
Advances from customers	3,181,149	1,639,576
Other payables	12,735,136	3,731,713
	<u>50,363,708</u>	<u>39,457,122</u>

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18 ACCOUNTS PAYABLE AND ACCRUALS (continued)

Included in payables to contractors for leasehold property and investment properties and unearned revenue is an amount of KD 5,957,174 (2009: KD 17,414,221) which is due after one year from the financial position date and accordingly it is classified as non-current accounts payable.

Other payables include an amount of KD 6,733,089 (2009: Nil) that represents a liability created on revision of a sale agreement relating to lease rights in a real estate deal that was executed in the period ended 31 December 2008.

19 SEGMENTAL INFORMATION

Primary segment information

For management purposes the Group is organised into two major business segments. The principal activities and services under these segments are as follows:

Investment : Managing portfolio of investments.
Real estate : Purchase, sale, development and renting of properties including hospitality services.

2010	Investment KD	Real estate KD	Unallocated KD	Total KD
Segment revenues (losses)	720,163	13,090,273	79,730	13,890,166
Segment results	720,163	(17,629,618)	79,730	(16,829,725)
Share of results of associates	(1,150,320)	143,151	-	(1,007,169)
Depreciation	-	(169,416)	-	(169,416)
Amortisation of intangible asset	-	(348,681)	-	(348,681)
Impairment loss on financial assets available for sale	(560,515)	-	-	(560,515)
(Loss) profit for the year	(990,672)	(18,004,564)	79,730	(18,915,506)
Assets and liabilities				
Segment assets	11,727,395	185,587,942	7,812,184	205,127,521
Investment in associates	5,592,075	-	-	5,592,075
Total assets	17,319,470	185,587,942	7,812,184	210,719,596
Segment liabilities	-	167,601,681	2,246,245	169,847,926
Other segmental information:				
Capital expenditure:	-	21,335,748	-	21,335,748

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19 SEGMENTAL INFORMATION (continued)

2009	Investment KD	Real estate KD	Unallocated KD	Total KD
Segment revenues (losses)	422,637	2,132,025	868,379	3,423,041
Segment results	422,637	(44,112,590)	868,379	(42,821,574)
Share of results of associates	92,715	-	-	92,715
Depreciation	-	(278,087)	-	(278,087)
Impairment loss on financial assets available for sale	(882,458)	-	-	(882,458)
(Loss) profit for the year	(367,106)	(44,390,677)	868,379	(43,889,404)
Assets and liabilities				
Segment assets	12,521,072	199,579,314	7,091,309	219,191,695
Investment in associates	6,669,629	-	-	6,669,629
Total assets	19,190,701	199,579,314	7,091,309	225,861,324
Segment liabilities	-	162,658,586	3,005,672	165,664,258
Other segmental information:				
Capital expenditure:	-	18,542,595	-	18,542,595

Secondary segment information

The Group operates in different geographical areas. A geographical analysis based on location of revenue, results, assets and liabilities based on location is as follows:

2010	Kuwait KD	Turkey KD	GCC KD	Total KD
Segment revenues	799,893	-	13,090,273	13,890,166
Non-current assets	20,584,695	-	164,711,688	185,296,383
2009	Kuwait KD	Turkey KD	GCC KD	Total KD
Segment revenues (loss)	1,269,908	21,108	2,132,025	3,423,041
Non-current assets	31,688,013	3,354	169,800,129	201,491,496

Non-current assets for this purpose consist of property, plant and equipment and investment properties. Segment assets under Kuwait include goodwill of KD 1,712,962 (2009: KD 2,875,238) (Note 7).

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22 RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Management of the Parent Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The maximum credit risk is limited to amounts appearing on the consolidated statement of financial position.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party.

Impaired and past due but not impaired financial assets of the Group are disclosed in note 12.

The Group's credit risk bearing financial assets, before taking into account any collateral held or credit enhancements can be analysed by industry wise sector as follows:

	<i>31 December 2010 KD</i>	<i>31 December 2009 KD</i>
<i>Industry sector:</i>		
Banks and financial institutions	9,158,079	7,942,533
Construction and real estate	15,979,820	15,937,640
	<u>25,137,899</u>	<u>23,880,173</u>

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management of the Parent Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities. For the year ending 31 December 2011, funds may be required from the shareholders to meet the Group's liabilities.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations.

2010	<i>Within 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 to 12 months KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
Obligations under finance leases	-	-	77,018	1,647,972	1,724,990
Murabaha payables	46,022,074	4,303,248	19,657,552	3,277,174	73,260,048
Accounts payable and accruals	2,220,327	13,321,960	28,864,247	5,957,174	50,363,708
Amounts due to related parties	-	3,222,168	17,278,754	23,841,021	44,341,943
TOTAL LIABILITIES	<u>48,242,401</u>	<u>20,847,376</u>	<u>65,877,571</u>	<u>34,723,341</u>	<u>169,690,689</u>
Commitments	<u>-</u>	<u>-</u>	<u>1,034,557</u>	<u>2,413,967</u>	<u>3,448,524</u>

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22 RISK MANAGEMENT (continued)

Liquidity risk (continued)

2009	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over 1 year KD	Total KD
Obligations under finance leases	-	-	13,507,909	3,329,273	16,837,182
Murabaha payables	862,134	292,285	8,778,684	58,002,705	67,935,808
Accounts payable and accruals	2,367,427	3,945,712	15,729,762	17,414,221	39,457,122
Amounts due to related parties	552,631	751,578	5,642,883	42,148,614	49,095,706
TOTAL LIABILITIES	3,782,192	4,989,575	43,659,238	120,894,813	173,325,818
Commitments	-	-	2,884,906	1,236,388	4,121,294

Market risk

Market risk is the risk that the value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all financial assets traded in the market.

Market risk is managed on the basis of pre-determined financial instrument allocations across various asset categories, diversification of financial instruments in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to profit rate risk as all its Islamic financial instruments are at fixed profit rates.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The management of the Parent Company monitors the positions on a daily basis to ensure positions are maintained within established limits.

The effect on results (due to change in the fair value of monetary assets and liabilities) and on other comprehensive income, as a result of 5% increase in foreign currency rate against KD, with all other variables held constant is shown below:

	<i>Effect on results for the year</i>		<i>Effect on other comprehensive income</i>	
	2010 KD	2009 KD	2010 KD	2009 KD
United State Dollars	(1,444,774)	(1,481,962)	319,507	333,833
Saudi Riyals	(28,154)	(41,001)	163,424	168,443

Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through placing limits on individual and total equity investments.

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22 RISK MANAGEMENT (continued)

Market risk (continued)

The effect on Group's loss before KFAS, NLST and Zakat (as a result of a change in the fair value of financial assets carried at fair value through statement of income) due to a 5% increase in market indices, with all other variables held constant is as follows:

<i>Market indices</i>	<i>Effect on loss</i>	
	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Kuwait	21,183	22,159

As at 31 December 2010, the Group had no quoted available for sale equity investments (2009: Nil).

23 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder's value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the year ended 31 December 2010 and 31 December 2009.

The Group includes within net debt, murabaha payables, obligation under finance leases, accounts payables and accruals, amounts due to related parties less cash and cash equivalents as reported in the consolidated statement of financial position. Total capital represents equity attributable to the Parent Company less cumulative changes in fair values.

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Murabaha payables	73,260,047	66,028,510
Obligations under finance leases	1,724,990	15,157,279
Accounts payable and accruals	43,620,908	31,129,482
Amounts due to related parties	44,341,943	44,210,459
Less: cash and cash equivalents	(6,691,962)	(5,558,081)
Net debt	156,255,926	150,967,649
Total capital	40,317,957	59,669,800
Net debt to equity ratio	3.88	2.53

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24 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, financial assets at fair value through statement of income, accounts receivables, and cash and cash equivalents. Financial liabilities consist of murabaha payables, obligations under finance leases and other payables.

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 9), are not materially different from their carrying values at the financial position date.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities:

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Level: 1</i> <i>KD</i>	<i>Level: 2</i> <i>KD</i>	<i>Level: 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
2010				
Financial assets carried at fair value through statement of income				
Financial assets carried at fair value through statement of income	250,684	-	-	250,684
Financial assets available for sale:				
Unquoted securities	-	-	3,552,721	3,552,721
Managed funds	-	2,648,825	-	2,648,825
	<u>250,684</u>	<u>2,648,825</u>	<u>3,552,721</u>	<u>6,452,230</u>
	<i>Level: 1</i> <i>KD</i>	<i>Level: 2</i> <i>KD</i>	<i>Level: 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
2009				
Financial assets carried at fair value through statement of income				
Financial assets carried at fair value through statement of income	443,174	-	-	443,174
Financial assets available for sale:				
Unquoted securities	-	-	3,486,296	3,486,296
Managed funds	-	3,001,769	-	3,001,769
	<u>443,174</u>	<u>3,001,769</u>	<u>3,486,296</u>	<u>6,931,239</u>

During the year ended 31 December 2010, there were no transfers between Level 1 and Level 2 financial instruments, and no transfers into and out of Level 3 financial instruments.

Movement in the Level 3 financial instruments is due to the fair valuation during the year ended 31 December 2010.

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25 PRIOR PERIOD ERROR

In the prior years, the Group had incorrectly accounted the revenue from the leasehold property amounting to KD 682,790. In accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the retained earnings as at 31 December 2008 and 31 December 2009 has been restated to correct this error.